television firms. Those firms have relatively little incentive, for example, to make programming choices designed to protect their local cable systems. Similarly, if the Commission's proposed behavioral restrictions deter even large cable firms from using non-CONUS orbital slots that might otherwise lie fallow, those restrictions may prevent transactions that are economically beneficial.

In other respects, the Commission's proposals may not be strong enough. They will still permit large cable firms to control all of the channels at any of the three orbital slots most likely to be used for DBS service. Although the proposed behavioral restrictions are certainly aimed at some of the behaviors that could occur, they cannot anticipate all forms of economically inefficient behavior by firms whose returns will be maximized by such behavior. To ensure that such behavior does not occur, a structural solution is needed.

The Department believes that the Commission should adopt a simple structural rule which prohibits cable firms above a specified size from owning, controlling or using DBS channels in any of the three primary (101° W, 110° W, and 119° W) full-CONUS orbital slots. The level at which such ownership, control or use would be prohibited should be based upon the percentage of the nation's cable subscribers whose cable service is controlled by the firm. When a combination of cable firms seeks to own, control or use DBS channels, their percentages of nationwide cable subscribers should be aggregated, because collectively these firms will have essentially the same incentives as a single large firm. The rule would govern all future acquisitions or uses of affected DBS

channels, including acquisitions in both FCC auctions, purchases of stock or assets of DBS firms, or other arrangements.

If the Commission does adopt a structural rule, the rule should not prohibit affected firms from bidding in auctions for DBS channels. Rather, it should condition grant of the DBS permit to any successful bidder upon divestiture of sufficient cable assets to bring the bidder into compliance with the rule. A deadline, such as 12 months from the date of grant, should be imposed for completion of this divestiture. As the MVPD market matures, moreover, the Commission will want to reassess whether the rule remains appropriate.

III. The Commission Should Also Prohibit Discrimination by Wholesale DBS Providers that could Harm Competition in the Markets for MVPDs and Video Programming Vendors

In ¶ 62 of its NPRM, the Commission seeks comment on whether it should adopt rules requiring that wholesale DBS services provided to cable operators be provided to competing MVPDs on nondiscriminatory terms and conditions. The Department shares the Commission's concern that a wholesale DBS provider with market power might harm competition in the MVPD market if that provider is affiliated with one or more MVPDs.[2] In addition, the Department is concerned

[2] The Department also acknowledges the Commission's concern, as articulated in ¶¶ 61 and 62 of the NPRM, that a DBS provider could obtain a cost advantage over rival DBS providers by offering wholesale DBS service. A firm that uses the same facilities and satellites to provide retail and wholesale DBS service may indeed enjoy cost advantages over DBS firms that only sell retail. The Department believes that such dual distribution is efficient and

that a wholesale DBS provider with market power and affiliated with one or more programming vendors might also harm competition in the programming vendor market. For these reasons, the Department recommends that the Commission adopt a rule to protect against any such abuse of market power. This recommendation is based upon analysis of the product market, the barriers to entering that market, and upon the small number of potential entrants.

1. Product Market

Wholesale DBS service involves the distribution to MVPDs of all or part of a digital DBS video programming stream, as opposed to marketing the DBS signal directly to consumers.[3] MVPDs receiving such service presumably would continue to purchase the actual programming from each programming vendor (e.g. HBO) and not from the wholesale DBS provider. The MVPD (or perhaps the programming vendor) would instead pay the DBS provider for aggregating, digitizing, compressing, encrypting and transmitting the video signals via satellite. The provision of these services, as described below, may result in numerous

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procompetitive. Nevertheless, if such a wholesale DBS provider is affiliated with programming vendors it may be able to deprive its DBS rivals of the ability to offer comparable wholesale service, with negative consequences for competition in the retail DBS market. The Department believes that the Commission should enact rules to prohibit wholesale DBS firms affiliated with programmers from denying rival wholesale DBS firms access to that programming.

[3] Although analog DBS service, technically speaking, is possible, the high cost of DBS satellite transmission creates strong incentives for DBS operators to use far more efficient digital programming signals. The Department knows of no prospective DBS operators that plan to offer service that is not digital.

benefits for MVPDs.

Existing MVPD providers, seeking ways to offer their subscribers more channels, may seek to employ digital compression technology. When existing analog channels are converted to digital and compressed, as many as six times as many channels might be accommodated within the same bandwidth. For cable operators, digital compression allows expansion of the capacity of an existing system without investing in a costly rebuild of existing cable lines. For MVPD providers which must operate within a finite wavelength spectrum, such as MMDS providers and potentially LMDS providers, digital compression may be the only practical means to expand capacity. Digitizing and compressing analog signals, however, is an extremely expensive process and it is unlikely that any but the largest MVPDs could afford to perform it themselves. Thus, there may be no adequate substitutes for the prepackaged digital video programming that MVPDs will need.

A digital DBS provider might meet this need by choosing to sell its digital signal wholesale to other MVPDs. Because such a provider already has performed the work of aggregating, digitizing, compressing, encrypting and transmitting video signals via satellite, its wholesale DBS service may be the most efficient means for other MVPDs to acquire digital signals. By making this critical supply more affordable, wholesale DBS service may enhance competition among MVPDs. Although it is difficult to predict future demand in this market, various publications have reported that many MVPDs are interested in

purchasing wholesale DBS service.[4]

2. Barriers to Entry and Potential Entrants

Several aspects of the market for wholesale DBS services present barriers to entry that will restrict the number of firms that can enter the market.

First, entering this market will be expensive and technically difficult. A firm must build or purchase the ability to collect analog programming signals, convert them to digital signals, digitally compress and encrypt them and uplink them to a satellite. Leasing transponders on a high-power DBS satellite, or launching a proprietary satellite, is also a costly proposition. Put simply, any entry in this market must be comprehensive and on a large scale. The high up-front costs may make it more difficult for a firm to enter the market if it lacks a preexisting base of DBS or cable subscribers.

Second, although retail DBS firms are those most likely to enter the wholesale DBS market, the number of these firms is severely limited by the small number of available DBS satellite slots. Only three DBS orbital locations, each with 32 allocated transponders, can cover the entire continental United States. Because DBS providers will need to offer a large number of channels to subscribers in order to compete effectively, transponder capacity will be a scarce

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[4] See, e.g., Kate Maddox, Small Operators Fighting to Keep Up, Electronic Media, June 20, 1994, at 3; Peter Lambert, Wireless Players Study TCI's Headend in the Sky, Multichannel News, April 18, 1994, at 38.

resource even if digital compression is used.[5] The total number of retail DBS providers will therefore remain small.

Third, the first firm to provide wholesale DBS service could enjoy a significant first mover advantage. This is because different DBS providers may employ different encryption technologies, each requiring expensive set-top decoder boxes unique to that technology. To the extent that incompatible technologies are used, the expense of purchasing decoder boxes will tend to lock MVPDs into their initial wholesale DBS provider. This may diminish the base of potential customers for any new entrant. MVPDs will want, moreover, to minimize the risk of being stranded with an inventory of incompatible decoder boxes. For this reason, MVPDs would probably favor the more established DBS providers as demonstrated by a substantial existing subscriber base in retail DBS and in affiliated MVPDs. Conversely, a retail DBS provider may have difficulty attracting MVPDs as wholesale customers if it has recently entered the retail market or has a comparatively small subscriber base. Together, these factors make it more likely that a firm, particularly the first mover, will be able to obtain monopoly power in the wholesale DBS market.

Because finite transponder capacity and the requirement of large-scale entry restrict the potential number of DBS providers, only a handful of firms are likely to be in the business of selling retail DBS. Each of these firms would face barriers to entering the market for wholesale DBS service, especially if one firm

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[5] See discussion in Section I, supra.

had already established itself in the market.[6] For these reasons, the Department concludes that there is a substantial likelihood that the market for wholesale DBS service will be served by a monopolist for the immediate future. Moreover, even if other firms eventually enter, the market is likely to be very highly concentrated.

3. Competition Concerns

Concentration in the wholesale DBS market may impair competition in the distinct MVPD and video programming markets. Moreover, to the extent that a firm with market power in wholesale DBS is also affiliated with either programming vendors or MVPDs, additional incentives to abuse market power will exist. A wholesale DBS provider with monopoly power would possess a "bottleneck" position in the chain of distribution, since it would provide the link between programming vendors upstream and MVPDs downstream. If it offered the only practical source of digital programming, such a provider could directly exercise monopoly power against firms in downstream markets (i.e. cable, LMDS, MMDS, SMATV, and other MVPDs) and in upstream markets (i.e. programming vendors). The exercise of this market power would ultimately tend to result in fewer options for consumers seeking to purchase subscription television, diminished programming choices and higher prices.

An additional problem exists when a wholesale DBS provider with market

[6] Indeed, so far only one firm, TCI, has publicly announced a clear intention to provide wholesale DBS service.

power is also affiliated with one or more programming vendors or with other MVPDs. Such an association may create incentives to refuse to deal, or to deal on discriminatory terms, with competing programming vendors or MVPDs. For example, if a wholesale DBS provider were affiliated with a sports channel, it might refuse to distribute the programming of a competing sports channel, or might offer carriage only on discriminatory terms and conditions. By doing so, the firm would use its market power in wholesale DBS to give its affiliated programmer an advantage in distribution, allowing it to reach more subscribers and increase its revenue, ultimately benefitting the wholesale DBS provider itself.

4. Proposed Rule

In order to address these concerns, the Department proposes that the Commission adopt a Rule that would prevent discrimination by wholesale DBS providers that are affiliated with other MVPDs or programming vendors. Such a Rule should resemble the Commission's rules that prohibit discrimination by MVPDs against programming vendors, 47 C.F.R. § 76.1301(c). The Department believes that the Commission should extend this principle of nondiscrimination to prevent wholesale DBS distributors from discriminating against MVPDs or against video programming vendors.[7] The Department believes that the following

[7] To the extent that a wholesale DBS provider is also retail DBS provider, it would fall under the definition of "multichannel video programming distributor" set forth in 47 C.F.R. § 76.100(e). Although such a provider would be generally subject to the non-discrimination rule established in § 76.1301(c), it is not clear whether this section would encompass discrimination in the provision of wholesale

language, coupled with an administrative review process, would adequately meet these concerns:

> (a) Financial interest. No wholesale DBS provider affiliated with any MVPD or any video programming vendor shall require a financial interest in any MVPD as a condition for delivery of wholesale DBS service, nor shall any wholesale DBS provider require a financial interest in any video programming vendor as a condition for carriage on its wholesale DBS service.
>
> (b) Exclusive rights. No wholesale DBS provider affiliated with any MVPD or any video programming vendor shall coerce or influence any video programming vendor to provide, or retaliate against such a vendor for failing to provide, exclusive rights against any other wholesale DBS provider.
>
> (c) Discrimination. No wholesale DBS provider shall engage in conduct the purpose or effect of which is to restrain unreasonably (1) the ability of an unaffiliated MVPD to compete fairly by discriminating in wholesale DBS distribution on the basis of affiliation or non-affiliation of MVPDs in the selection, terms or conditions for sale of wholesale DBS service, or (2) the ability of an unaffiliated video programming vendor to compete fairly by discriminating in wholesale DBS carriage on the basis of affiliation or non-affiliation of vendors in the selection, terms, or conditions for carriage of video programming provided by such vendors.

As in the case of program access, specific transactions should be exempted from the Rule if the Commission determines that an exemption would be in the public interest. In making its public interest determination, the Commission should consider the impact of the transaction upon the types of concerns it identified in 47 C.F.R. § 76.1002(c)(4). Specifically, the Commission should

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DBS. In either case, § 76.1301(c) bars only discrimination against programming vendors and not, as the Department considers desirable, against MVPDs as well.

consider the effect of the transaction on the development of competition in the MVPD and video programming markets, on the emergence of competitive non-cable programming distribution technologies, on the attraction of capital investment in the production and distribution of new programming, on the diversity of programming in the MVPD market, and on the duration of the transaction.

The Department believes that this proposed rule will provide important protections to competition in the markets for program vendors and MVPDs, if the market for wholesale DBS service develops in the manner that seems likely today. We also recognize, however, that predictions as to how these markets may evolve are necessarily imperfect, in light of uncertainty about future changes in technology and market forces. For that reason, we recommend that if the Commission adopts the rule proposed by the Department, it should also commit itself to a reexamination of these issues within a reasonably short time frame, e.g., five years, in order to determine whether the public interest would best be served by the continuation, modification, or elimination of the rule.

IV. Other Matters.

At ¶ 30 of the NPRM, the Commission proposes to eliminate rules which permit DBS licensees to use DBS spectrum for non-DBS purposes, but only with substantial restrictions after the first license term. Instead the Commission proposes a rule which would permit, without time limitation, use of some

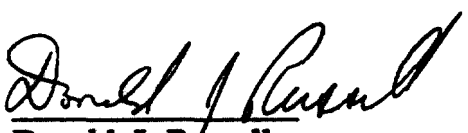
proportion of DBS capacity for non-DBS purposes. The Department supports the Commission's general concept. In general, social welfare is maximized when users of radio spectrum may seek the most economically efficient use of the spectrum. Licensees of DBS spectrum other than large cable firms are likely to find that DBS service is indeed the use of DBS spectrum which maximizes their returns. Thus, strict restrictions on use of DBS spectrum may not be necessary if the Commission adopts a structural rule, such as the one proposed at Section II above, to the extent that the rule governs use of DBS by large cable firms.

At ¶ 42 of the NPRM, the Commission proposes to limit to 32 the number of DBS channels a single entity may be assigned. In general, the Department supports this proposal. A limit of 32 channels will allow a single party to aggregate all the channels at a single orbital slot. Such an aggregation may promote efficient use of the slot and thus promote MVPD competition. The Department shares the Commission's concerns, however, about allowing single parties to acquire channels at more than one orbital slot. For practical reasons, licensees of different channels at single orbital slots may seek to reach mutual accommodations in their use of the slot. See ¶ 40 of the NPRM. A party with channels at more than one slot will thus be in a position to exert substantial influence over the use of several otherwise competitive DBS slots. For reasons identified above, this concern would be particularly acute if the firm with channels at more than one slot were also a large cable firm.

Finally, the Commission proposes, of course, to auction DBS spectrum that

becomes available for assignment. The Department supports the concept of auctions. In general, auctions will place spectrum in the hands of firms that place the highest economic value on the license. Structural rules, as suggested above, are an appropriate means of ensuring that a license will not be awarded to a firm that values it, in substantial part, for anticompetitive reasons.

Respectfully submitted,



Donald J. Russell
Chief
Telecommunications Task Force

Antitrust Division
U.S. Department of Justice
555 4th Street, N.W.
Room 8104
Washington, D.C 20001
(202) 514-5621

November 20, 1995

EXHIBIT 3

Declaration of Jared E. Abbruzzese

I, Jared E. Abbruzzese, hereby declare, under the penalty of perjury, the following:

1) I serve as Chairman of TelQuest Ventures, L.L.C. ("TelQuest"), a limited liability company organized under the laws of Delaware. TelQuest is a small, privately-owned entrepreneurial company that intends to use direct broadcast satellite ("DBS") service to provide smaller new entrants in the subscription television market a new way to receive comprehensive digital programming. Programming will also be sold directly from the satellite to an 18" dish to consumers unable to receive these signals.

2) TelQuest is presently owned entirely by private investors. When financing is completed, TelQuest anticipates that it will be 65-85% owned by private investors; 10-25% owned by MMDS wireless cable partners; 5% owned by employees and former shareholders of Digital Broadband Applications Corp. ("DBAC"), and 5% owned by its Canadian partner, with a minor portion of its equity owned by its debt holders.

3) Bell Atlantic and NYNEX are not among TelQuest's current owners. In a February 14, 1996 letter, TelQuest was in fact notified by Bell Atlantic and NYNEX jointly that they are, at this time, uninterested in pursuing involvement with the TelQuest venture. Under certain circumstances, however, Bell Atlantic and NYNEX could become owners of a small, indirect interest in TelQuest. CAI Wireless, Inc. ("CAI"), a publicly traded wireless cable operator, has an option to purchase up to a 15% interest in TelQuest through a purchase of the stock of one of its partners. The option expires in June, 1996. Bell Atlantic and NYNEX have purchased convertible preferred stock and warrants of CAI, but to date, neither Bell Atlantic nor NYNEX has exercised their warrants or conversion rights. TelQuest is in negotiations with other entities in which Bell Atlantic and/or NYNEX also have a minority interest or warrants. If these transactions are fully consummated, these indirect interests would amount to less than 1% of TelQuest. At most, therefore, the maximum ownership interest Bell Atlantic and NYNEX could have directly or indirectly in TelQuest would be less than 7%, on a fully-diluted basis.

4) In addition to my role with TelQuest, I have extensive entrepreneurial and managerial experience in the MMDS wireless cable industry. I currently serve as Chairman and Chief Executive Officer of CAI and Chairman of CS Wireless Systems, Inc. ("CS"). CAI and CS are diversified MMDS wireless cable operators.

5) Wireless cable providers and other small video delivery companies have a present need for TelQuest's service. MMDS operators are currently consolidating and upgrading their plant to

employ digital technology. Other providers that do not have existing cable plant but that have adequate infrastructure, such as independent telephone companies and utilities, also have informed me of their interest in entering the video programming marketplace. TelQuest has agreements in principle to offer TelQuest's low cost, compressed digital satellite service to two wireless cable operators and is in negotiations with others. The TelQuest service will provide these operators with access to national programming in a compressed digital format, which would otherwise be too costly for them to access. The TelQuest service will also permit these operators to integrate 100 national video channels with local programming within their market and to extend the reach of their market with a direct-to-home (DTH) DBS service to households where physical line of sight impediments exist.

6) Despite the present need for TelQuest's service, there is only a small window of opportunity in which TelQuest has to act. First, TelQuest must provide service by the end of 1996 in order to meet the digital compression requirements of those MMDS operators who have committed to use TelQuest's services. These operators currently serve approximately 275,000 customers and have already paid millions of dollars into the U.S. Treasury during the FCC's wireless cable auction. However, they are still waiting for the digitized compression capability with which to provide their services. Second, TelQuest's venture is restricted by a small window of opportunity for financing by the U.S. bond market. TelQuest's investment bankers have informed TelQuest that its financing in the high-yield capital market must occur prior to August 1996. TelQuest will be unable to generate financing in this market without the FCC's approval of our applications during this time frame. Without such financing, TelQuest will be forced to cease operation by the end of 1996.

7) Assuming this financing target is met, TelQuest has the financial qualifications for initiating the services it proposes. Funds raised for TelQuest through capital markets and equity contributions will cover all costs relating to TelQuest's entrance in the DBS market. Additional revenue sources will be generated by the provision of wholesale digital service to MMDS operators; the sale of retail DBS service indirectly through MMDS affiliates who elect to remain analog but desire more product offerings; the sale of DBS service through traditional DBS strategies; and advertising opportunities.

8) Pursuant to this business plan, TelQuest and Telesat Canada ("Telesat") are proceeding with their soon-to-be-finalized venture to use 22 transponders on a high-power satellite to be located at 91° W.L. to provide direct broadcast satellite ("DBS") service to the U.S. domestic market. TelQuest's original business plan anticipated more than 22 transponders; however, the use of 22 transponders represents a compromise made with Telesat in response to Canadian needs outlined by their government.

9) TelQuest and Telesat are to begin making capital contributions toward the cost of constructing a DBS satellite, scheduled to be launched at the end of 1997. In addition, arrangements for an interim satellite to be launched to 91° W.L. in the third quarter of 1996 are in place. A $1,500,000 cash deposit representing good faith consideration for our joint DBS system plan has been made to Telesat. TelQuest and Telesat continue to work closely with third-party satellite construction companies for the construction of a satellite to be used at the 91° W.L. orbital position.

10) It is in furtherance of these arrangements with Telesat that TelQuest has taken certain steps in the interest of the successful launch of our venture. These steps include a) the negotiation of agreements with MMDS wireless cable operators for DBS service; b) the negotiation of the acquisition of DBAC -- the sole program supplier for a switched digital video network, an operator and integrator of a MPEG-2 digital integration facility, and a developer of subscriber management and related software; c) continued negotiations with potential investors; and d) the preparation of the uplink and earth station applications that are the subject of this FCC proceeding, which were submitted to Telesat for their review and comments prior to our filing.

11) If the FCC grants approval for these applications, I, on behalf of TelQuest, hereby undertake to research the feasibility of servicing Alaska and Hawaii with the facilities it leases from Telesat. Such efforts will comply with the geographic coverage requirements of Section 100.53 of the FCC's rules, and with Part 25 of the 1992 Cable Act.

12) Since TelQuest's initial agreement with Telesat, I have been told that large U.S. telecommunications companies have initiated discussions with Telesat and ExpressVu, a Canadian DTH licensee. Specifically, I learned that EchoStar Satellite Corporation ("EchoStar") contacted ExpressVu and Telesat during the months of March and April of this year and offered to provide ExpressVu with a satellite at an earlier launch date than TelQuest in return for EchoStar's eventual use of the 91° W.L. orbital position.

13) In addition, I have also been told that Bert Roberts, Chairman of MCI Telecommunications, with representatives from News Corporation, traveled to Canada the weekend of April 20, 1996, to talk to BCE, Inc. (BCE, through Alouette, Inc. owns a majority of Telesat). Finally, on April 24, 1996, I received a phone call from MCI. In this phone call, MCI requested that I seek a delay in the FCC's processing of the pending TelQuest applications. The suggestion made by MCI was that if I agreed to the delay, MCI might be able to leverage itself into a better bargaining position with TCI in an alternative deal in which TelQuest could be included. I refused MCI's offer.

I declare under penalty of perjury that the foregoing is true and correct based upon my personal knowledge thereof, except as otherwise expressly stated.

Executed on May 5, 1996

Joseph T. Abbruzzese
Chairman
TelQuest Ventures, L.L.C.

EXHIBIT 4

Consumer Project on Technology
P.O. Box 19367, Washington, DC 20036
(202) 387-8030; http://www.essential.org/cpt

April 16, 1996

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Re: EchoStar or TCI's Attempts to Acquire Canadian DBS Orbital Positions to broadcast in the United States

Dear Chairman Hundt:

We are writing to express our concern over reports that EchoStar and TCI are seeking to acquire control over a substantial number of full-CONUS DBS frequencies which are assigned to the Canadian government, and to ask the FCC to review rules which concern the impact of broadcasting to the United States from the Canadian DBS orbital positions.

In our earlier April 5, 1996 letter (attachment), we expressed concerns about efforts by EchoStar to acquire frequencies now controlled by the Direct Broadcast Satellite Corporation-Delaware, which would give EchoStar 90 out of the 256 DBS frequencies available in the U.S, including 23 percent of all US full-CONUS frequencies, and 43 percent of all US partial-CONUS frequencies. We also expressed our concerns about TCI or other large U.S. cable operators acquiring DBS frequencies, because this will lead to too much concentration of ownership in the market for cable and DBS video programming, hurting consumers and unaffiliated programmers.

We raise these concerns again, in a different context. According to recent press reports and Commission filings, both EchoStar and TCI have engaged in discussions with firms that control full-CONUS DBS frequencies which are assigned to the Canadian government. If either EchoStar or TCI (or any other large US cable operator such as Time-Warner or U.S. West) is permitted to obtain the Canadian DBS frequencies to serve the U.S. market, the FCC should consider the impact of such action on concentration in the U.S. market.

In the case of EchoStar, consider the concentration of full-CONUS frequencies. Currently EchoStar controls 22 of 96 US full-CONUS frequencies. EchoStar is seeking to acquire or gain control over 32 of the 64 Canadian full-CONUS frequencies. This would

give EchoStar control over 54 of the 160 combined U.S. and Canadian full-CONUS frequencies, or about 34 percent of the total.[1]

If permitted, these acquisitions will give EchoStar enormous market power. As noted in our earlier letter and pleadings, EchoStar is also holding discussions with TCI and other large telecommunications giants about possible strategic alliances or mergers, leading to even further concentration. We are alarmed that such aggregations of frequencies will greatly diminish the role of DBS as a new competitor to cable television.

The Commission can and should address the impact of broadcasting to U.S. consumers from the Canadian frequencies. Specifically, the Commission should limit the number of U.S. DBS frequencies that any firm should be permitted to own or control, so consumers will benefit from more competition. And in determining those limits, the Commission should consider ownership or control over the Canadian frequencies, if those frequencies are used to broadcast to U.S. consumers.

Submitted: April 16, 1996,

James Love
Director

Todd J. Paglia
Staff Attorney

Consumer Project on Technology
PO Box 19367
Washington, DC 20036

cc: The Honorable James H. Quello
The Honorable Rachelle B. Chong
The Honorable Susan Ness

[1] As noted in our earlier filings, EchoStar is seeking to increase its holdings of U.S. partial-CONUS frequencies from 46 to 68, which would give EchoStar control over 43 percent of U.S. partial-CONUS frequencies

EXHIBIT 5

Bell Atlantic International

Bell Atlantic International, Inc
1310 N. Court House Road
Fifth Floor
Arlington, VA 22201
703 875-0272
FAX 703 974-0068

[redacted]
President & CEO

February 14, 1996

Mr. Jared E. Abbruzzese
President
TELQuest Ventures, L.L.C.
c/o TELQuest, Inc.
18 Corporate Woods Boulevard
Third Floor
Albany, New York 12211

Dear Jerry,

Bell Atlantic and NYNEX have been evaluating your "Project BirdCo" proposal during the last few months. We have reviewed Project BirdCo from the standpoint of its business and financial merits as well as its potential fit with our video strategy, including our relationships with CAI Wireless Systems, Inc. and TELE-TV.

You have asked us to execute a letter of intent by February 15, 1996 indicating our willingness to proceed with a series of long term service relationships. As you know, there were a number of concerns and issues raised by the transactions outlined by you.

After having given further thought to the proposal presented by you to us and NYNEX, Bell Atlantic and NYNEX have concluded that neither of us are interested in pursuing this opportunity with TELQuest.

We understand that TELQuest and its partners may independently continue to develop this opportunity. It is possible that as our plans and the marketplace evolve, there may be an opportunity for other relationships between our companies. We appreciate your making this opportunity available to us and wish you success in your venture.

Sincerely,

[redacted]

cc: I. Seidenberg - NYNEX
W. Rickard - NYNEX
R. Blackburn - NYNEX
R.W. Smith - Bell Atlantic
S.C. Johnson - Bell Atlantic

EXHIBIT 6

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
TelQuest VENTURES, L.L.C.	)	File Nos. 758-DSE-P/L-96
	)	759-DSE-P/L-96
For License for a Fixed	)	
Transmit/Receive Earth Station	)	
and Blanket License for	)	
Receive-Only Earth Stations	)	

COMMENTS OF THE CABLE TELECOMMUNICATIONS ASSOCIATION

Submitted By

Stephen R. Effros
James H. Ewalt

CABLE TELECOMMUNICATIONS
ASSOCIATION
3950 Chain Bridge Road
P.O. Box 1005
Fairfax, VA 22030-1005
(703) 691-8875

April 26, 1996

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
TelQuest VENTURES, L.L.C.	)	File Nos. 758-DSE-P/L-96
	)	759-DSE-P/L-96
For License for a Fixed	)	
Transmit/Receive Earth Station	)	
and Blanket License for	)	
Receive-Only Earth Stations	)	

COMMENTS OF THE CABLE TELECOMMUNICATIONS ASSOCIATION

The Cable Telecommunications Association ("CATA") hereby files these comments in support of the above-captioned applications. CATA is a trade association representing owners and operators of cable television systems servicing approximately 80 percent of the nation's more than 66 million cable television subscribers. CATA is filing on behalf of its members who would be directly affected by the action of the International Bureau in this matter. CATA's mandate from the industry, along with vigorous public advocacy of general industry positions and goals, is to assure that the particular difficulties and circumstances of smaller cable systems are adequately considered in the legislative and regulatory process.

Even before passage of the Telecommunications Act of 1996, it was clear that only the larger cable television systems would be able to afford to compete in a world of digitally compressed video services. The new law, predictably, has already fostered new combinations of larger telecommunications companies, many of which intend to use their considerable economic leverage to provide multiple channels of digitally compressed